



Montanans united for kids

MONTANA
QUALITY EDUCATION
COALITION

3
SENATE FINANCE & CLAIMS

Exhibit No. 3

Date 3-23-07

Bill No. HB 809

TESTIMONY ON HB809 – Rep. William Glaser
Senate Finance and Claims
March 23, 2007

Chairman Schmidt and members of the committee, for the record, I am Pete Carparelli, Executive Director of the Montana Quality Education Coalition. **I appear on behalf of MQEC and as an opponent of HB809 sponsored by Representative Glaser.**

As you know, the goal of the Montana Quality Education Coalition is adequate stable on-going funding for quality public K-12 education as defined in 20-9-309 MCA passed by the Montana Legislature in 2005 and as assured by the Montana Constitution. MQEC is evaluating legislation proposed during the 2007 Legislature, and will support such legislation that effectively addresses one or more of the requirements of 20-9-309 MCA, meets the state's constitutional obligation to adequately fund our public K-12 school system, and does not detract from existing effective funding mechanisms. MQEC has also provided information to assist the Legislative and Executive branches in their considerations of proposed legislation dealing with funding for Montana's public elementary and secondary schools. The most extensive and important piece of information that MQEC has provided to you has been the adequacy report, Estimating the Cost of an Adequate Education in Montana that was delivered to you on January 19, 2007. In addition, on February 23, 2007 MQEC signed on to a document

outlining the Education Community Consensus on K-12 Funding Proposals; I am providing that to you as part of my written testimony.

MQEC honors the Court's recognition of the legislature's right to phase in a remedy over time, and MQEC supports legislation as part of a phase-in remedy that explicitly prescribes a cost-based approach and leads to a defined funding goal over a specified period of time.

MQEC opposes legislation that is not consistent with 20-9-309 MCA and the Court's decision, detracts from other effective funding mechanisms, or ignores data and information provided in the Adequacy Report I have already mentioned.

Today, MQEC opposes passage of HB 809, because we have determined that it does not satisfy established criteria for adequate stable on-going funding of quality K-12 public schools in Montana. In fact, relative to the encouraging movement forward made by the 2005 Legislature toward adequate funding, HB809 looks like two steps back to 2003.

It seems that HB809 returns school funding to a structure that is no better than that which was put into effect in 2003 when a three-year rolling ANB and inflationary adjustments on some funding elements were introduced. It appears that HB809 takes back gains toward adequate funding made during the 2005 Legislative Sessions, and moves school funding in the wrong direction. I refer here first to the loss of the Quality Educator Payment, an excellent formula element instituted in 2005. MQEC believes that the Quality Educator Payment more accurately reflects the cost of delivering

several educationally relevant factors than does heavier reliance on ANB or its derivative classroom units. This funding entitlement does a better job of smoothing out the negative effects of declining enrollment in our smaller rural schools. **It is our belief that, adequately funded, the Quality Educator Payment is the single most effective element to bring about adequate funding in the future, and addresses several sections of 20-9-309. We recommend increasing the Quality Educator Payment by \$2000 in FY08 and additional \$2000 in FY09.**

Secondly, I refer to the apparent loss of inflationary adjustments for several entitlements that had been adjusted by actions of the 2005 Legislature. It appears that this bill applies the inflationary adjustment only to Base Aid and Special Education. When inflationary adjustments do not apply to all costs of educationally relevant factors and fixed costs of support functions and structures, funding slips backwards each year. Couple the lack of adjustment with the ever-increasing costs of inflation, and the slide is significant. Beyond restoring the loss of an inflationary adjustment to several funding elements, MQEC recommends **application of inflationary adjustments to all entitlements and other on-going elements of school funding. This would address Section 4Biii of 20-9-309, providing for a "funding formula that is self-executing and includes a mechanism for annual inflationary adjustments."**

It also appears that funding levels provided in 2005 for Indian Education for All, At-Risk Students and the Indian Achievement Gap will be lost if HB809 is passed. This seems to be a significant retreat from previous legislative efforts to address these statutory and constitutional obligations. We strongly

recommend restoration of those elements with adequate funding and inflationary adjustments attached if there is to be hope of addressing adequate funding.

Now, Chairman Schmidt and Committee members, that just brings us back to 2005. It appears that HB809 has eliminated several funding components of HB2 that we think also go the next step toward adequacy in school funding. Full ANB funding for voluntary full-time Kindergarten is the key component missing from HB809. Full-time Kindergarten is the foundational and proactive element of all of our work to address special needs – including those of at-risk, Special Education, gifted and talented, limited English proficient, and Native American learners. **We recommend Full Time Kindergarten funding and additional start-up costs as important components of adequate funding.**

Loss of HB2 funding for a School Facilities Trust Fund is another omission in HB809 that, although not large in comparison to other program cuts, postpones important steps toward what will surely be a monumental cost in the future, and another component of funding addressed in 20-9-309 MCA. **We recommend funding of the School Facilities Trust Fund.** In addition, **we recommend that the Legislature extend the one-time facility funding appropriations made during the 2005 special session until the State completes its facilities study and devises a system for statewide capital needs.** MQEC believes that the State should provide a suitable inflation

adjustment to this amount for FY 2009 and for subsequent years until the statewide system is implemented.

Other bills have brought forth good proposals, in part or whole, that could move Montana forward in the direction of adequate funding. HB515 by Rep. Glaser, providing funds for distance learning technologies, SB56, by Senator Ryan, restoring federal funds to direct student service, HB363, by Rep. Ward, enabling funds you appropriate to be used more directly to benefit students, SB390 by Senator Juneau, continuing the momentum of 2005 in promoting Indian Education for All, SB152 by Senator Ryan, funding many aspects of quality education are just some of the good bills that should be reflected in a budget bill for K-12 Education. Consideration of their positive contribution to adequate funding is conspicuously absent from HB809.

Although not directly tied to the mission of MQEC, funding cuts to the Office of Public Instruction cause us great dismay. The decimation of Indian Education for All funds alone is about 10% of the current OPI budget. Regarding OPI's request for funding for proposed services to our state, especially to the small, rural, and less wealthy districts, can anyone really imagine an effective state department of education without curriculum specialists in the area of basic skills? The fact that that portion of the OPI budget does not show up in HB809 seems to indicate that quality is not a consideration in this K-12 budget. **MQEC recommends that OPI have its funding restored to the level requested by Superintendent McCulloch.**

Chairman Schmidt and members of the committee, MQEC suggests to you that HB 809 as it now exists does not reflect the best thinking on the best information available, and does not move us forward toward a remedy that could end litigation and assure quality education in our state. MQEC stands ready to accept an invitation by Representative Sinrud to sit down, share good data and information, and to fashion a K-12 funding bill that reflects the costs of delivering quality education to Montana's children, reaches across partisan agendas, and may make litigation an unnecessary avenue for all of us. MQEC sincerely returns the same invitation to you and your colleagues in both houses of this 60th Legislative Assembly.

Until someone in this legislature decides to convene right-thinking people to bring together the several good pieces and parts of school funding proposed to date and add a feature or two that bind the parts together into a better comprehensive funding package, MQEC does not see any progress toward adequate funding coming from this session. Inadequate bills such as HB809 do nothing to change that perception. Thus, MQEC must ask you to table HB809, and we must regretfully look increasingly to a remedy outside of the legislative body, its members and committees.

Thank you for the opportunity to address you this morning.

2007 Legislative Agenda

Quality Schools for Every Montana Child



MONTANA
QUALITY EDUCATION
COALITION

The Montana Quality Education Coalition will play an assertive role during the 2007 Legislative Session. MQEC will be consistent with the positions it took during the 2005 regular and special legislative sessions, and will be consistent with the requirements set by the 2005 Legislature in Senate Bill 152, now 20-9-309 MCA.

MQEC will evaluate legislation proposed during the 2007 Legislature, and will support such legislation that adequately addresses the requirements of 20-9-309 MCA and meets the state's constitutional obligation to adequately fund our public K-12 school system. MQEC will oppose legislation that is not consistent with 20-9-309 MCA and the Court's decision.

MQEC offers its 2007 Legislative Agenda, not as a complete list of legislative elements that will assure adequate funding, but as a guideline by which to measure progress toward a system of adequate funding. MQEC will consider evidence of progress toward adequacy as legislation that:

1. **provides funding that is cost-based and is adequate to satisfy the definition of quality public elementary and secondary schools provided in 20-9-309 MCA.**
 - MQEC has provided an updated adequacy study to the State's Legislators and other policy-makers in order to assist with the process of writing and enacting cost-based funding legislation.
 - MQEC asks the Legislature to honor its own codification of education laws (especially 20-9-309 MCA), and apply the cost-based information provided in the adequacy study to the laws it has already enacted.
2. **enhances funding through a predictable, phased and stable process that meets the State's statutory and constitutional obligations, and that assures adequate future funding for the education of the children of the State of Montana.**
 - MQEC honors the Court's recognition of the state's right to phase in any remedy over time. MQEC will support a phase-in remedy that explicitly prescribes a cost-based approach and leads to a defined funding goal over a specified period of time.
 - MQEC believes that suitable annual inflation factors for all elements of the funding system should be included as an essential first step of any phased remedy.
3. **moves forward with plans for addressing the costs of school facilities.**
 - MQEC requests that the legislature extend the one-time facility funding appropriations made during the 2005 special session until the State completes its facilities study and devises a system for statewide capital needs.
 - MQEC believes that the State should provide a suitable inflation adjustment to this amount for FY 2009 and for subsequent years until the statewide system is implemented.

Education Community Consensus on K-12 Funding Proposals - February 23, 2007

The education community has carefully considered and is united behind the funding proposals referenced on this page. Taken together, these funding proposals will provide school districts with the funds necessary to continue to progress toward the provision of an education that is worthy of the definition of the basic system of free quality schools under section 20-9-309, MCA. These proposals represent our collective expectations and hopes for the 2007 Legislative Session. This is a unified proposal that is supported by the Superintendent of Public Instruction, the Board of Public Education, the Montana Quality Education Coalition, the Montana Rural Education Association, MEA-MFT, The Montana Association of School Business Officials, the School Administrators of Montana, and the Montana School Boards Association.

Item	FY08 Cost	FY09 Cost	Biennial Cost
Inflationary Adjustments of 2.76% and 3% for all general fund entitlements and present law and inflation for special education	\$17,616,672	\$33,699,258	\$51,315,930
Fulltime Kindergarten *	\$12,855,867	\$14,881,346	\$27,737,213
Increase quality educator payment by \$2,000 in FY08 and by another \$2,000 in FY09	\$24,715,598	\$49,431,196	\$74,146,794
Reverse Retirement Restriction for Employees Paid with Federal Funds	\$3,182,403	\$3,277,875	\$6,460,278
Intervention strategies (e.g. could be used for early childhood in elementary grades, dropout retrieval in the high schools, etc.) funding at greater of \$100 per ANB or \$1,000 (inflation-adjust in second year).	\$14,600,000	\$15,038,000	\$29,638,000
Competitive grants administered by OPI for early childhood education	\$2,773,721	\$2,773,721	\$5,547,443
Fund Gifted and Talented Funding at greater of \$35 per ANB or \$350 (inflation-adjust in second year)	\$4,501,624	\$4,457,684	\$8,959,308
Increase funding for Indian Education for All to the greater of \$50 per ANB or \$1,000	\$4,329,390	\$4,286,770	\$8,616,160
Provision of a distance learning technology payment of \$250 per pupil for 135 hours of instruction or \$500 for 270 hours of instruction.	\$161,250	\$325,000	\$486,250
Teacher Loan Repayment Program	\$324,000	\$675,000	\$999,000
Increase Rate of Reimbursement for Transportation and Provide State Reimbursement of Mileage within 3 Mile Limit	\$1,813,155	\$1,813,155	\$3,626,310
ESTIMATED TOTAL **	\$86,873,680	\$130,659,005	\$217,532,686

* We also support OTO startup funds of \$10 million as proposed by Superintendent McCulloch

** In addition to the funding increases supported above, we request that, in considering taxes, the Legislature and Governor should reflect on historic trends in taxation that have placed a disproportionate burden for funding schools on property taxpayers.

2007 Legislature – School Funding – Background Materials

Montana School Boards Association, March 23, 2007

School Funding:

There are proposals by both Democrats and Republicans, which, if taken together, would represent meaningful progress toward adequate funding for quality education. The education community has carefully considered and is united behind these funding proposals as a unified package. Taken together, these funding proposals will provide school districts with the funds necessary to continue to progress toward the provision of an education that is worthy of the definition of the basic system of free quality schools under section 20-9-309, MCA. These proposals represent our collective expectations and hopes for the 2007 Legislative Session. This is a unified proposal that is supported by the Superintendent of Public Instruction, the Board of Public Education, the Montana Quality Education Coalition, the Montana Rural Education Association, MEA-MFT, The Montana Association of School Business Officials, the School Administrators of Montana, and the Montana School Boards Association.

Problems with Existing Proposals for School Funding:

There are a number of problems with existing funding proposals by both Democrats and Republicans.

Governor's Funding Package:

There are some key shortcomings in the Governor's plans that need to be addressed. Those include:

- a. **Funding levels for fulltime kindergarten.** The fiscal note on both Senate Bill 123 and 152 identify an anticipated increase in state aid through implementation of fulltime kindergarten of approximately \$12.5 million in the first year of the coming biennium. The fiscal note in SB 152 identifies that school districts will have to hire 372 new fte certified staff in order to implement fulltime kindergarten. Given what we already know about school district general fund budget expenditures, the state funding for implementation of fulltime kindergarten will not be sufficient to fully implement the program without a significant increase in school district property taxes. Although we support fulltime kindergarten in concept, the funding shortfall evidenced by the current proposal of the Governor is a problem. We also need to remain mindful that the increase in this area of the Governor's proposal should not be compared with simple inflation, because the funding provided is not for purposes of paying for existing expenditures but for an entire new program.

Assuming that the average salary of these teachers is \$30,000 per year (which would be approximately \$10,000 below the statewide average), the following are some figures for what fulltime kindergarten will likely cost:

Item	Annual Cost	Source of Funding
Salary for 372 new fte certified staff @ \$30,000	\$11,160,000	School District General Fund
Health Insurance for 372 new fte certified staff at statewide average contribution per month	\$2,079,057	School District General Fund
Payroll Taxes	\$892,800	Countywide Retirement Levy
TRS Contribution	\$781,200	Countywide Retirement Levy
Total hard costs, certified staff only	\$14,913,057	Mixed, Per Above
Total projected costs, based on teacher salaries and benefits at 65% of school district general fund budgets	\$22,943,165	Mixed, Per Above
Difference between state funding provided and local tax increases required to implement fulltime kindergarten	\$10,443,165	Increase in BASE and Over BASE taxes

- b. Increase in the Quality Educator Payment of \$790, First Year Only:** The increase in the Quality Educator Payment proposed in the Governor's budget is insufficient to allow school districts to meet inflationary costs of salaries and benefits in either of the coming two years. The state chose to cite the creation of the Quality Educator Payment as evidence of its compliance with the portion of the Court's order addressing recruitment and retention of quality staff. Assuming that school districts devote 65% of this increase to teacher salaries in the first year of the coming biennium, the increase would be sufficient to pay for a 1.3% increase in licensed staff salaries in the first year and nothing in the second year.
- a. Overall Funding Levels for School District General Fund Budgets:** The Governor's funding proposal proposes a \$64 million biennial increase in state aid to support school district general fund budgets over the next two years. That increase consists of a first year increase of approximately \$25 million and a second year increase of approximately \$15 million. Taken as a percentage of existing adopted school district general fund budgets of approximately \$845 million, this increase is approximately 2.96% and 1.72%, respectively. Given that generic CPI-U inflation is currently running at 3.8%, tax increases, budget cuts, or both are likely to occur in our schools in the coming two years under the Governor's funding proposal.

2. House Bill 809, House Republican Appropriation for K-12 Public Education

School funding advocates have been told to be careful "not to damn the good while seeking the perfect" in relation to the Governor's funding proposal. There is some truth in that admonition, as the House Republican funding in House Bill 809 provides the primary alternative to the Governor's funding package with approximately \$50 million less in the coming biennium than the Governor's funding proposal. House Bill 809:

- a. Eliminates funding for fulltime kindergarten (biennial cut to the Governor's proposed increase by approximately \$30 million);
- b. Eliminates the increase of \$790 in the Quality Educator Payment (biennial cut the Governor's proposed increase by approximately \$20 million);
- c. Eliminates the Governor's plan to divert approximately \$50 million from the production of mineral rights on state lands that the Governor plans to use to address facilities issues in the 2009 Legislative Session;
- d. Scales back the increase in OPI's budget by several million dollars, including cuts to Indian Education for All and elimination of new curriculum specialists.

House Bill 809 is unacceptable and we need to be vocal in our opposition to the cutbacks from the Governor's proposal.

3. Necessity of Tax Increases, Budget Cuts – Timing of Mill Levy Election:

Currently, the Governor's school funding plan proposes an increase of \$64 million biennial to pay for existing programs. As referenced above, this is an amount sufficient to provide an increase in school district general fund budgets of approximately 2.96% next year and 1.72% the year after. There is no doubt but that many school districts will have to increase district taxes in order to maintain current programs and services for children. For those school districts at or near the maximum budget or suffering declining enrollments, the order of the day will be a combination of tax increases and budget cuts.

An additional complexity is provided through current laws on mill levy elections. With the Legislature in session and not coming anywhere close to agreement on K-12 funding at this time, the deadlines for levy elections will soon be past. The school district general fund levy election date is May 8 this year. That means that school districts must pass a resolution calling for a levy election not later than March 29, 2007 and the final ballot language must be set no later than April 13, 2007. School districts will almost certainly have to do so without the benefit of knowing how much they can or should ask for, as the Legislature's work on K-12 public education will not be done by either of those dates. To get an idea of what our schools are up against, consider what it would take for schools to do for their employees what the state has done for its employees through the recently-passed state pay plan, providing a 3.6% increase in salaries in each of the next two years and an increase of \$50 per month for health insurance in each year of the coming biennium. Current payroll for school districts statewide is approximately \$725 million. In order to provide the same increase for school employee salary and benefits as what was recently passed by the Legislature for state and university employees, you would have the following:

Existing K-12 Payroll	FY08 increase 3.6%	FY08 health insurance contribution increase, \$50 per month per employee	FY08 Increase	FY09 increase 3.6%	FY08 health insurance contribution increase, \$30 per month per employee	FY09 Increase	Biennial Increase (FY08 X 2 + FY09)
\$725,000,000	\$26,100,000	\$7,085,520	\$33,185,520	\$27,039,600	\$7,085,520	\$34,125,120	\$100,496,160

So, looking at the above, we would need \$36 million more than what is currently provided in the Governor's budget in increases for existing programs (\$64 million) just to provide to our school employees what the state has already provided on behalf of state employees. Included in the Governor's package is a \$790 increase in the QEP in the first year. The difference between the QEP increase proposed by the Governor and our proposed QEP increase (going to \$4,000 in FY08 and \$6,000 in FY09) is \$53.6 million, or an amount sufficient to cover this gap as well as the \$10.4 million projected increase in property taxes from implementation of fulltime kindergarten.

Education Community Consensus on K-12 Funding Proposals - February 23, 2007

The education community has carefully considered and is united behind the funding proposals referenced on this page. Taken together, these funding proposals will provide school districts with the funds necessary to continue to progress toward the provision of an education that is worthy of the definition of the basic system of free quality schools under section 20-9-309, MCA. These proposals represent our collective expectations and hopes for the 2007 Legislative Session. This is a unified proposal that is supported by the Superintendent of Public Instruction, the Board of Public Education, the Montana Quality Education Coalition, the Montana Rural Education Association, MEA-MFT, The Montana Association of School Business Officials, the School Administrators of Montana, and the Montana School Boards Association.

Item	Current Bills Including Some Variation of Concept	FY08 Cost	FY09 Cost	Biennial Cost
Inflationary Adjustments of 2.76% and 3% for all general fund entitlements and present law and inflation for special education	House Bill 152; House Bill 2, Senate Bill 152, LC 2197	\$17,616,672	\$33,699,258	\$51,315,930
Fulltime Kindergarten *	Senate Bill 123; Senate Bill 152	\$12,855,867	\$14,881,346	\$27,737,213
Increase quality educator payment by \$2,000 in FY08 and by another \$2,000 in FY09	Senate Bill 152; House Bill 152	\$24,715,598	\$49,431,196	\$74,146,794
Reverse Retirement Restriction for Employees Paid with Federal Funds	Senate Bill 56	\$3,182,403	\$3,277,875	\$6,460,278
Intervention strategies (e.g. could be used for early childhood in elementary grades, dropout retrieval in the high schools, etc.) funding at greater of \$100 per ANB or \$1,000 (inflation-adjust in second year).	House Bill 701, HB 182	\$14,600,000	\$15,038,000	\$29,638,000
Competitive grants administered by OPI for early childhood education	None	\$2,773,721	\$2,773,721	\$5,547,443
Fund Gifted and Talented Funding at greater of \$35 per ANB or \$350 (inflation-adjust in second year)	House Bill 701, HB 182	\$4,501,624	\$4,457,684	\$8,959,308
Increase funding for Indian Education for All to the greater of \$50 per ANB or \$1,000	Senate Bill 390	\$4,329,390	\$4,286,770	\$8,616,160
Provision of a distance learning technology payment of \$250 per pupil for 135 hours of instruction or \$500 for 270 hours of instruction.	House Bill 515	\$161,250	\$325,000	\$486,250
Teacher Loan Repayment Program	Senate Bill 152	\$324,000	\$675,000	\$999,000
Increase Rate of Reimbursement for Transportation and Provide State Reimbursement of Mileage within 3 Mile Limit	House Bill 135	\$1,813,155	\$1,813,155	\$3,626,310
ESTIMATED TOTAL **		\$86,873,680	\$130,659,005	\$217,532,686

* We also support OTO startup funds of \$10 million as proposed by Superintendent McCulloch

** In addition to the funding increases supported above, we request that, in considering taxes, the Legislature and Governor should reflect on historic trends in taxation that have placed a disproportionate burden for funding schools on property taxpayers.